

LEGISLATURE OF NEBRASKA
NINETY-SEVENTH LEGISLATURE
FIRST SESSION

LEGISLATIVE BILL 744

Introduced by Raikes, 25

Read first time January 17, 2001

Committee: Education

A BILL

1 FOR AN ACT relating to the Tax Equity and Educational Opportunities
2 Support Act; to amend sections 79-1001, 79-1003,
3 79-1007.01, 79-1007.02, 79-1026, and 79-1028, Revised
4 Statutes Supplement, 2000; to provide for teacher salary
5 enhancements; to change provisions relating to allowable
6 growth rate and exceptions; to harmonize provisions; and
7 to repeal the original sections.
8 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 79-1001, Revised Statutes Supplement,
2 2000, is amended to read:

3 79-1001. Sections 79-1001 to 79-1033 and sections 5 and
4 6 of this act shall be known and may be cited as the Tax Equity and
5 Educational Opportunities Support Act.

6 Sec. 2. Section 79-1003, Revised Statutes Supplement,
7 2000, is amended to read:

8 79-1003. For purposes of the Tax Equity and Educational
9 Opportunities Support Act:

10 (1) Adjusted general fund operating expenditures means
11 general fund operating expenditures as calculated pursuant to
12 subdivision (21) of this section minus the transportation allowance
13 and minus the special receipts allowance;

14 (2) Adjusted valuation means the assessed valuation of
15 taxable property of each local system in the state, adjusted
16 pursuant to the adjustment factors described in section 79-1016.
17 Adjusted valuation means the adjusted valuation for the property
18 tax year ending during the school fiscal year immediately preceding
19 the school fiscal year in which the aid based upon that value is to
20 be paid. For purposes of determining the local effort rate yield
21 pursuant to section 79-1015.01, adjusted valuation does not include
22 the value of any property which a court, by a final judgment from
23 which no appeal is taken, has declared to be nontaxable or exempt
24 from taxation;

25 (3) Allocated income tax funds means the amount of
26 assistance paid to a local system pursuant to section 79-1005.01 as
27 adjusted by the minimum levy adjustment pursuant to section
28 79-1008.02;

1 (4) Average daily attendance of a student who resides on
2 Indian land means average daily attendance of a student who resides
3 on Indian land from the most recent data available on November 1
4 preceding the school fiscal year in which aid is to be paid;

5 (5) Average daily membership means the average daily
6 membership for grades kindergarten through twelve attributable to
7 the local system, as provided in each district's annual statistical
8 summary, and includes the proportionate share of students enrolled
9 in a public school instructional program on less than a full-time
10 basis;

11 (6) Base fiscal year means the first school fiscal year
12 following the school fiscal year in which the reorganization or
13 unification occurred;

14 (7) Board means the school board of each school district;

15 (8) Categorical funds means funds limited to a specific
16 purpose by federal or state law, including, but not limited to,
17 Title I funds, Title VI funds, federal vocational education funds,
18 federal school lunch funds, Indian education funds, Head Start
19 funds, funds from the Education Innovation Fund, and funds from the
20 School Technology Fund;

21 (9) Consolidate means to voluntarily reduce the number of
22 school districts providing education to a grade group and does not
23 include dissolution pursuant to section 79-498;

24 (10) Department means the State Department of Education;

25 (11) District means any Class I, II, III, IV, V, or VI
26 school district;

27 (12) Ensuing school fiscal year means the school fiscal
28 year following the current school fiscal year;

1 (13) Equalization aid means the amount of assistance
2 calculated to be paid to a local system pursuant to sections
3 79-1008.01 to 79-1022;

4 (14) Fall membership means the total membership in
5 kindergarten through grade twelve attributable to the local system
6 as reported on the fall school district membership reports for each
7 district pursuant to section 79-528;

8 (15) Fiscal year means the state fiscal year which is the
9 period from July 1 to the following June 30;

10 (16) Formula students means (a) for state aid certified
11 pursuant to section 79-1022, the sum of fall membership from the
12 school fiscal year immediately preceding the school fiscal year in
13 which the aid is to be paid, multiplied by the average ratio of
14 average daily membership to fall membership for the second school
15 fiscal year immediately preceding the school fiscal year in which
16 aid is to be paid and the prior two school fiscal years, and
17 tuitioned students from the school fiscal year immediately
18 preceding the school fiscal year in which the aid is to be paid and
19 (b) for final calculation of state aid pursuant to section 79-1065,
20 the sum of average daily membership and tuitioned students from the
21 school fiscal year immediately preceding the school fiscal year in
22 which the aid was paid;

23 (17) Free lunch and free milk student means a student who
24 qualified for free lunches or free milk from the most recent data
25 available on November 1 of the school fiscal year immediately
26 preceding the school fiscal year in which aid is to be paid;

27 (18) Full-day kindergarten means kindergarten offered by
28 a district for at least one thousand thirty-two instructional

1 hours;

2 (19) General fund budget of expenditures means the total
3 budgeted expenditures for general fund purposes as certified in the
4 budget statement adopted pursuant to the Nebraska Budget Act,
5 except that for purposes of the limitation imposed in section
6 79-1023, the calculation of Class I total allowable general fund
7 budget of expenditures minus the special education budget of
8 expenditures pursuant to section 79-1083.03, and the calculation
9 pursuant to subdivision (2) of section 79-1027.01, the general fund
10 budget of expenditures does not include any special grant funds,
11 exclusive of local matching funds, received by a district subject
12 to the approval of the department;

13 (20) General fund expenditures means all expenditures
14 from the general fund;

15 (21) General fund operating expenditures means the total
16 general fund expenditures minus categorical funds, tuition paid,
17 transportation fees paid to other districts, adult education,
18 summer school, community services, redemption of the principal
19 portion of general fund debt service, and transfers from other
20 funds into the general fund for the second school fiscal year
21 immediately preceding the school fiscal year in which aid is to be
22 paid;

23 (22) Income tax liability means the amount of the
24 reported income tax liability for resident individuals pursuant to
25 the Nebraska Revenue Act of 1967 less all nonrefundable credits
26 earned and refunds made;

27 (23) Income tax receipts means the amount of income tax
28 collected pursuant to the Nebraska Revenue Act of 1967 less all

1 nonrefundable credits earned and refunds made;

2 (24) High school district means a school district
3 providing instruction in at least grades nine through twelve;

4 (25) Limited English proficiency student means a student
5 with limited English proficiency from the most recent data
6 available on November 1 of the school fiscal year preceding the
7 school fiscal year in which aid is to be paid;

8 (26) Local system means a Class VI district and the
9 associated Class I districts or a Class II, III, IV, or V district
10 and any affiliated Class I districts or portions of Class I
11 districts. The membership, expenditures, and resources of Class I
12 districts that are affiliated with multiple high school districts
13 will be attributed to local systems based on the percent of the
14 Class I valuation that is affiliated with each high school
15 district;

16 (27) Low-income child means a child under nineteen years
17 of age living in a household having an annual adjusted gross income
18 of fifteen thousand dollars or less for the second calendar year
19 preceding the beginning of the school fiscal year for which aid is
20 being calculated;

21 (28) Most recently available complete data year means the
22 most recent single school fiscal year for which the annual
23 financial report, fall school district membership report, annual
24 statistical summary, Nebraska income tax liability by school
25 district for the calendar year in which the majority of the school
26 fiscal year falls, and adjusted valuation data are available;

27 (29) Regular route transportation means the
28 transportation of students on regularly scheduled daily routes to

1 and from the attendance center;

2 (30) Reorganized district means any district involved in
3 a consolidation and currently educating students following
4 consolidation;

5 (31) School year or school fiscal year means the fiscal
6 year of a school district as defined in section 79-1091;

7 (32) Special education means specially designed
8 kindergarten through grade twelve instruction pursuant to section
9 79-1125, and includes special education transportation;

10 (33) Special grant funds means the budgeted receipts for
11 grants, including, but not limited to, Title I funds, Title VI
12 funds, funds from the Education Innovation Fund, reimbursements for
13 wards of the court, short-term borrowings including, but not
14 limited to, registered warrants and tax anticipation notes,
15 interfund loans, insurance settlements, and reimbursements to
16 county government for previous overpayment, that have been approved
17 by the state board;

18 (34) Special receipts allowance means the amount of
19 special education, state ward, and accelerated or differentiated
20 curriculum program receipts included in local system formula
21 resources under subdivisions (7), (8), (16), and (17) of section
22 79-1018.01;

23 (35) State aid means the amount of assistance paid to a
24 district pursuant to the Tax Equity and Educational Opportunities
25 Support Act;

26 (36) State board means the State Board of Education;

27 (37) State support means all funds provided to districts
28 by the State of Nebraska for the general fund support of elementary

1 and secondary education;

2 (38) Teacher means a certificated employee who is not
3 performing the duties of a school administrator. For purposes of
4 determining the number of full-time equivalent teachers, a school
5 administrator who actually teaches children may be included as a
6 teacher for the part of the contract which applies to actual
7 teaching;

8 ~~(38)~~ (39) Transportation allowance means the lesser of
9 (a) for state aid calculated for school fiscal year 1998-99, each
10 district's, and for state aid calculated for school fiscal year
11 1999-00 and each school fiscal year thereafter, each local system's
12 general fund expenditures for regular route transportation and in
13 lieu of transportation expenditures pursuant to section 79-611 in
14 the second school fiscal year immediately preceding the school
15 fiscal year in which aid is to be paid, but not including special
16 education transportation expenditures or other expenditures
17 previously excluded from general fund operating expenditures, or
18 (b) for state aid calculated for school fiscal year 1998-99, for
19 each district, and for state aid calculated for school fiscal year
20 1999-00 and each school fiscal year thereafter, for each local
21 system, the number of miles traveled in the second school fiscal
22 year immediately preceding the school fiscal year in which aid is
23 to be paid by vehicles owned, leased, or contracted by the district
24 or the districts in the local system for the purpose of regular
25 route transportation multiplied by four hundred percent of the
26 mileage rate established by the Department of Administrative
27 Services pursuant to section 81-1176 as of January 1 of the most
28 recently available complete data year added to in lieu of

1 transportation expenditures pursuant to section 79-611 from the
2 same data year; and

3 ~~(39)~~ (40) Tuitioned students means students in
4 kindergarten through grade twelve of the district whose tuition is
5 paid by the district to some other district or education agency.

6 Sec. 3. Section 79-1007.01, Revised Statutes Supplement,
7 2000, is amended to read:

8 79-1007.01. (1) ~~For school fiscal year 1998-99 and each~~
9 ~~school fiscal year thereafter, the~~ The adjusted formula students
10 for each local system shall be calculated by:

11 (a) Multiplying the formula students in each grade range
12 by the corresponding weighting factors to calculate the weighted
13 formula students for each grade range as follows:

14 (i) The weighting factor for kindergarten is five-tenths;

15 (ii) The weighting factor for grades one through six,
16 including full-day kindergarten, is one;

17 (iii) The weighting factor for grades seven and eight is
18 one and two-tenths; and

19 (iv) The weighting factor for grades nine through twelve
20 is one and four-tenths;

21 (b) Adding the weighted formula students for each grade
22 range to calculate the weighted formula students for the local
23 system; and

24 (c) Adjusting the weighted formula students by adding the
25 following demographic factors:

26 (i) The Indian-land factor shall equal 0.25 times the
27 average daily attendance of students who reside on Indian land as
28 reported by the United States Department of Education in

1 calculating the local system's payment pursuant to 20 U.S.C. 7701
2 et seq.;

3 (ii) The limited English proficiency factor shall equal
4 0.25 times the formula students in the local system with limited
5 English proficiency as defined under rules and regulations of the
6 United States Department of Education promulgated pursuant to Title
7 VI of the Civil Rights Act of 1964;

8 (iii) The department shall calculate the number of
9 formula students to whom the poverty factor shall apply. The
10 department shall calculate a ratio of the formula students to the
11 total children under nineteen years of age residing in the local
12 system and shall apply the ratio to the low-income children within
13 the local system, in order to determine the number of low-income
14 students within such local system. The number of children under
15 nineteen years of age used in this calculation shall be derived
16 from income tax information. The poverty factor shall equal the
17 number of low-income students or the formula students qualified for
18 free lunches or free milk under United States Department of
19 Agriculture child nutrition programs, whichever is greater,
20 multiplied by the following factors:

21 (A) 0 for the qualified formula students comprising the
22 first five percent of the formula students in the local system;

23 (B) 0.05 for the qualified formula students comprising
24 more than five percent and not more than ten percent of the formula
25 students in the local system;

26 (C) 0.10 for the qualified formula students comprising
27 more than ten percent and not more than fifteen percent of the
28 formula students in the local system;

1 (D) 0.15 for the qualified formula students comprising
2 more than fifteen percent and not more than twenty percent of the
3 formula students in the local system;

4 (E) 0.20 for the qualified formula students comprising
5 more than twenty percent and not more than twenty-five percent of
6 the formula students in the local system;

7 (F) 0.25 for the qualified formula students comprising
8 more than twenty-five percent and not more than thirty percent of
9 the formula students in the local system; and

10 (G) 0.30 for the qualified formula students comprising
11 more than thirty percent of the formula students in the local
12 system; and

13 (iv) The extreme remoteness factor shall equal 0.125
14 times the formula students in the local system for each local
15 system that has fewer than two hundred formula students, more than
16 six hundred square miles in the local system, less than
17 three-tenths formula student per square mile in the local system,
18 and more than twenty-five miles between the high school attendance
19 center and the next closest high school attendance center on paved
20 roads.

21 (2) The total adjusted formula students for each local
22 system shall equal the weighted formula students plus the
23 demographic factors, except that (a) for local systems qualifying
24 for the extreme remoteness factor, the total adjusted formula
25 students shall be greater than or equal to one hundred fifty
26 adjusted formula students, (b) the total adjusted formula students
27 for a local system shall not include the extreme remoteness factor
28 or any adjustment to the adjusted formula students resulting from

1 qualification for the extreme remoteness factor for the calculation
2 of the average formula cost per student in each cost grouping
3 pursuant to ~~subdivision~~ subsection (2) of section 79-1007.02, and
4 (c) the total adjusted formula students for a local system shall
5 include the extreme remoteness factor and any adjustment to the
6 adjusted formula students resulting from qualification for the
7 extreme remoteness factor for the calculation of the local system's
8 formula need pursuant to ~~subdivision~~ subsection (3) of section
9 79-1007.02.

10 Sec. 4. Section 79-1007.02, Revised Statutes Supplement,
11 2000, is amended to read:

12 79-1007.02. ~~For state aid calculated for school fiscal~~
13 ~~year 1998-99 and each school fiscal year thereafter.~~

14 (1) Using data from the annual financial reports for the
15 second school fiscal year immediately preceding the school fiscal
16 year in which aid is to be paid, the annual statistical summary
17 reports for the school fiscal year immediately preceding the school
18 fiscal year in which aid is to be paid, the fall membership reports
19 and supplements thereto for the school fiscal year immediately
20 preceding the school fiscal year in which aid is to be paid, and
21 the school district census as reported under sections 79-524 and
22 79-578 for the second school fiscal year preceding the school
23 fiscal year in which aid is to be paid, the department shall divide
24 the local systems into three cost groupings prior to the
25 certification of state aid based upon the following criteria:

26 (a) The very sparse cost grouping will consist of local
27 systems that have (i)(A) less than one-half student per square mile
28 in each county in which each high school attendance center is

1 located, based on the school district census, (B) less than one
2 formula student per square mile in the local system, and (C) more
3 than fifteen miles between the high school attendance center and
4 the next closest high school attendance center on paved roads or
5 (ii)(A) more than four hundred fifty square miles in the local
6 system, (B) less than one-half student per square mile in the local
7 system, and (C) more than fifteen miles between each high school
8 attendance center and the next closest high school attendance
9 center on paved roads;

10 (b) The sparse cost grouping will consist of local
11 systems that do not qualify for the very sparse cost grouping but
12 which meet the following criteria:

13 (i)(A) Less than two students per square mile in the
14 county in which each high school is located, based on the school
15 district census, (B) less than one formula student per square mile
16 in the local system, and (C) more than ten miles between each high
17 school attendance center and the next closest high school
18 attendance center on paved roads;

19 (ii)(A) Less than one and one-half formula students per
20 square mile in the local system and (B) more than fifteen miles
21 between each high school attendance center and the next closest
22 high school attendance center on paved roads;

23 (iii)(A) Less than one and one-half formula students per
24 square mile in the local system and (B) more than two hundred
25 seventy-five square miles in the local system; or

26 (iv)(A) Less than two formula students per square mile in
27 the local system and (B) the local system includes an area equal to
28 ninety-five percent or more of the square miles in the largest

1 county in which a high school attendance center is located in the
2 local system; and

3 (c) The standard cost grouping will consist of local
4 systems that do not qualify for the very sparse or the sparse cost
5 groupings.

6 For purposes of ~~subdivision (1) of this section~~ this
7 subsection, if a local system did not operate and offer instruction
8 in grades nine through twelve within the boundaries of the local
9 system during the school fiscal year immediately preceding the
10 school fiscal year in which aid is to be paid, the local system
11 shall not be considered to have a high school attendance center. +

12 (2) The department shall calculate the average formula
13 cost per student in each cost grouping by dividing the difference
14 of the total estimated general fund operating expenditures minus
15 the teacher salary allowances calculated under section 4 of this
16 act for the cost grouping by the total adjusted formula students
17 for all local systems in the cost grouping. ~~For the calculation of~~
18 ~~state aid for school fiscal year 1999-00 and for each school fiscal~~
19 ~~year thereafter, the~~ The average formula cost per student in each
20 cost grouping shall not be recalculated for the final calculation
21 of state aid pursuant to section 79-1065. The calculation of total
22 adjusted formula students for purposes of this ~~subdivision~~
23 subsection shall take into account the requirements of subsection
24 (2) of section 79-1007.01. ~~The~~ For all school fiscal years except
25 school fiscal years 2002-03 and 2003-04, the total estimated
26 general fund operating expenditures for the cost grouping is equal
27 to the total adjusted general fund operating expenditures for all
28 local systems in the cost grouping multiplied by a cost growth

1 factor. For school fiscal years 2002-03 and 2003-04, the total
2 estimated general fund operating expenditures for each cost
3 grouping is equal to the sum of the product of the total adjusted
4 general fund operating expenditures for all local systems in the
5 cost grouping multiplied by the cost growth factor plus the teacher
6 salary allowances for that cost grouping. The cost growth factor
7 for each cost grouping is equal to the sum of: (a) One; plus (b)
8 the product of two times the ratio of the difference between the
9 formula students attributable to the cost grouping without
10 weighting or adjustment pursuant to section 79-1007.01 and the
11 average daily membership attributable to the cost grouping for the
12 most recently available complete data year divided by the average
13 daily membership attributable to the cost grouping for the most
14 recently available complete data year, except that the ratio shall
15 not be less than zero; plus (c) the basic allowable growth rate
16 pursuant to section 79-1025 for the school fiscal year in which the
17 aid is to be distributed; plus (d) the basic allowable growth rate
18 pursuant to section 79-1025 for the school fiscal year immediately
19 preceding the school fiscal year in which the aid is to be
20 distributed; plus (e) one-half of any additional growth rate
21 allowed by special action of school boards for the school fiscal
22 year in which the aid is to be distributed as determined for the
23 school fiscal year immediately preceding the school fiscal year
24 when aid is to be distributed; plus (f) one-half of any additional
25 growth rate allowed by special action of the school boards for the
26 school fiscal year immediately preceding the school fiscal year
27 when the aid is to be distributed. ~~+~~ and

28 (3) Each local system's formula need will be equal to the

1 local system's teacher salary allowance plus the local system's
2 transportation allowance plus the local system's special receipts
3 allowance plus the product of the local system's adjusted formula
4 students multiplied by the average formula cost per student in the
5 local system's cost grouping. The calculation of total adjusted
6 formula students for purposes of this ~~subdivision~~ subsection shall
7 take into account the requirements of subsection (2) of section
8 79-1007.01.

9 Sec. 5. (1) Beginning with state aid to be distributed
10 for school fiscal year 2002-03, a teacher salary allowance shall be
11 calculated for each qualifying local system. Except as otherwise
12 provided in this section, the teacher salary allowance shall equal
13 the teacher salary enhancement amount established under section 5
14 of this act for the school fiscal year in which aid is to be paid
15 multiplied by the total number of full-time equivalent teachers for
16 the most recently available complete data year attributable to the
17 local system.

18 (2) The total number of full-time equivalent teachers
19 used in the calculation of the teacher salary allowance for local
20 systems in the standard cost grouping and the sparse cost grouping
21 shall not exceed one full-time equivalent teacher per thirteen
22 formula students, except that the number of full-time equivalent
23 teachers for any local system shall not be reduced below twenty-one
24 by the operation of this subsection.

25 (3)(a) For school fiscal year 2002-03, a qualifying
26 system shall maintain teacher salary levels for school year 2001-02
27 for each position on the locally negotiated salary schedules of the
28 districts in the local system that are greater than or equal to the

1 salary for the position on the salary schedule for school year
2 2000-01.

3 (b) For school fiscal year 2003-04, a qualifying system
4 shall maintain teacher salary levels for school year 2002-03 for
5 each position on the locally negotiated salary schedules of the
6 districts in the local system that are greater than or equal to the
7 sum of the salary for the position on the salary schedule for
8 school year 2001-02 plus two thousand five hundred dollars.

9 (c) For school fiscal year 2004-05 and each school fiscal
10 year thereafter, a qualifying system shall maintain teacher salary
11 levels for the prior school year for each position on the locally
12 negotiated salary schedules of the districts in the local system
13 that are greater than or equal to the sum of the salary for the
14 position on the salary schedule for the school year two years prior
15 to the school fiscal year for which aid is being calculated plus
16 the increase used to calculate the supplement amount for the school
17 fiscal year prior to the school fiscal year for which aid is being
18 calculated.

19 (4) If a school district reconfigures the salary schedule
20 or does not use a salary schedule to determine teacher
21 compensation, the district may present evidence showing that the
22 salary of each teacher that has been employed by the district for
23 the two years prior to the school fiscal year for which aid is
24 being calculated has increased by the amount required for a
25 qualifying local system under subsection (3) of this section.

26 (5) If a local system is not a qualifying system for any
27 school fiscal year, an amount equal to the teacher salary allowance
28 for the prior school fiscal year shall be subtracted from the aid

1 to be distributed to the school districts in the local system, up
2 to the amount of equalization aid that the local system received in
3 the prior school fiscal year. If the local system did not receive
4 equalization aid in an amount greater than the teacher salary
5 allowance in the prior school fiscal year, the total amount of
6 equalization aid shall be subtracted from the aid to be
7 distributed. If the department determines within three years
8 following the school fiscal year for which the aid was distributed
9 that a local system incorrectly qualified for the teacher salary
10 allowance, aid shall be withheld for the school fiscal year
11 following the determination in the same manner as it is for local
12 systems that are not qualifying systems.

13 (6) Qualifying systems shall certify required data and
14 other information related to the teacher salary allowance to the
15 department on or before the date established by the department.
16 The department may require data, other information, or affidavits
17 to carry out this section. The department may require audits of
18 the information on a regular basis, a random basis, or upon notice
19 from any source that the information provided by the district is
20 not accurate.

21 Sec. 6. The teacher salary enhancement shall equal two
22 thousand five hundred dollars for school fiscal year 2002-03. For
23 school fiscal year 2003-04 and each school fiscal year thereafter,
24 the teacher salary enhancement shall equal the teacher salary
25 enhancement from the prior year increased by the basic allowable
26 growth rate calculated under section 79-1025.

27 Sec. 7. Section 79-1026, Revised Statutes Supplement,
28 2000, is amended to read:

1 79-1026. On or before April 1, 1999, and on or before
2 February 1, for each year thereafter, the department shall
3 determine and certify to each Class II, III, IV, V, or VI district
4 an applicable allowable growth percentage carried out at least four
5 decimal places for each local system as follows:

6 (1) For each school fiscal year, the department shall
7 determine a target budget level for each local system by
8 multiplying the adjusted formula students as calculated pursuant to
9 section 79-1007.01 by the cost grouping cost per student as
10 calculated under section 79-1007.02. The sum of such product and
11 the local system's special receipts allowance and transportation
12 allowance shall be each local system's target budget level;

13 ~~(2)~~ The department shall establish a target budget level
14 range of general fund operating expenditure levels for each school
15 fiscal year for each local system which shall begin at twenty
16 percent less than the ~~target budget level~~ local system formula
17 needs and end at the ~~target budget level~~ local system formula
18 needs. The beginning point of the range shall be assigned a number
19 equal to the maximum allowable growth rate established in section
20 79-1025, and the end point of the range shall be assigned a number
21 equal to the basic allowable growth rate as prescribed in such
22 section such that the lower end of the range shall be assigned the
23 maximum allowable growth rate and the higher end of the range shall
24 be assigned the basic allowable growth rate; and

25 ~~(3)~~ (2) For each school fiscal year, each local system's
26 general fund operating expenditures shall be compared to its ~~target~~
27 ~~budget level~~ local system formula needs along the range described
28 in subdivision ~~(2)~~ (1) of this section to arrive at an applicable

1 allowable growth rate as follows: If each local system's general
2 fund operating expenditures fall below the lower end of the range,
3 such applicable allowable growth rate shall be the maximum growth
4 rate identified in section 79-1025. If each local system's general
5 fund operating expenditures are greater than the higher end of the
6 range, the local system's allowable growth rate shall be the basic
7 growth rate identified in such section. If each local system's
8 general fund operating expenditures fall between the lower end and
9 the higher end of the range, the department shall use a linear
10 interpolation calculation between the end points of the range to
11 arrive at the applicable allowable growth rate for the local
12 system.

13 Sec. 8. Section 79-1028, Revised Statutes Supplement,
14 2000, is amended to read:

15 79-1028. (1) A Class II, III, IV, V, or VI school
16 district may exceed the local system's allowable growth rate for
17 (a) expenditures in support of a service which is the subject of an
18 agreement or a modification of an existing agreement whether
19 operated by one of the parties to the agreement or an independent
20 joint entity or joint public agency, (b) expenditures to pay for
21 repairs to infrastructure damaged by a natural disaster which is
22 declared a disaster emergency pursuant to the Emergency Management
23 Act, (c) expenditures to pay for judgments, except judgments or
24 orders from the Commission of Industrial Relations, obtained
25 against a school district which require or obligate a school
26 district to pay such judgment, to the extent such judgment is not
27 paid by liability insurance coverage of a school district, (d)
28 expenditures to pay for sums agreed to be paid by a school district

1 to certificated employees in exchange for a voluntary termination
 2 of employment, or (e) expenditures to pay for lease-purchase
 3 contracts approved on or after July 1, 1997, and before July 1,
 4 1998, to the extent the lease payments are not budgeted
 5 expenditures for fiscal year 1997-98.

6 (2) A Class II, III, IV, V, or VI district may exceed its
 7 applicable allowable growth rate by a specific dollar amount if the
 8 district projects an increase in formula students in the district
 9 over the current school year greater than twenty-five students or
 10 greater than those listed in the schedule provided in this
 11 subsection, whichever is less. Districts shall project increases
 12 in formula students on forms prescribed by the department. The
 13 state board shall approve, deny, or modify the projected increases.

| | | |
|----|-------------------|---------------------|
| 14 | Average daily | Projected increase |
| 15 | membership of | of formula students |
| 16 | district | by percentage |
| 17 | 0 - 50 | 10 |
| 18 | 50.01 - 250 | 5 |
| 19 | 250.01 - 1,000 | 3 |
| 20 | 1,000.01 and over | 1 |

21 The department shall compute the district's estimated
 22 allowable budget per pupil using the budgeted general fund
 23 expenditures found on the budget statement for the current school
 24 year divided by the number of formula students in the current
 25 school year and multiplied by the district's applicable allowable
 26 growth rate. The resulting allowable budget per pupil shall be
 27 multiplied by the projected formula students to arrive at the
 28 estimated budget needs for the ensuing year. The department shall

1 allow the district to increase its general fund budget of
2 expenditures for the ensuing school year by the amount necessary to
3 fund the estimated budget needs of the district as computed
4 pursuant to this subsection. On or before April 1, 1999, and on or
5 before February 1 for each year thereafter, the department shall
6 make needed revisions in the applicable allowable growth rate of
7 districts which have been allowed additional growth pursuant to
8 this subsection to reflect the actual formula students of such
9 district and shall certify such revisions to each district.

10 (3) A Class II, III, IV, V, or VI district may exceed its
11 applicable allowable growth rate by a specific dollar amount if
12 construction, expansion, or alteration of district buildings will
13 cause an increase in building operation and maintenance costs of at
14 least five percent. The department shall document the projected
15 increase in building operation and maintenance costs and may allow
16 a Class II, III, IV, V, or VI district to exceed the local system's
17 applicable allowable growth percentage by the amount necessary to
18 fund such increased costs. The department shall compute the actual
19 increased costs for the school year and shall, if needed, modify
20 the local system's applicable allowable growth rate for the ensuing
21 school year.

22 (4) A Class II, III, IV, V, or VI district may exceed its
23 applicable allowable growth rate by a specific dollar amount if the
24 district demonstrates to the satisfaction of the state board that
25 it will exceed its applicable allowable growth rate as a result of
26 costs pursuant to the Retirement Incentive Plan authorized in
27 section 79-855 or the Staff Development Assistance authorized in
28 section 79-856. The department shall compute the amount by which

1 the increased cost of such program or programs exceeds the
2 district's applicable allowable growth rate and shall allow the
3 district to increase its general fund expenditures by such amount
4 for that fiscal year.

5 (5) For school fiscal year 2002-03, a Class II, III, IV, V,
6 or VI district may exceed its applicable allowable growth rate by a
7 specific dollar amount equal to the number of full-time equivalent
8 teachers multiplied by two thousand five hundred dollars.

9 Sec. 9. Original sections 79-1001, 79-1003, 79-1007.01,
10 79-1007.02, 79-1026, and 79-1028, Revised Statutes Supplement,
11 2000, are repealed.